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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Heng Tai Consumables Group Limited, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

**(1) MAJOR TRANSACTION
SUBSCRIPTION OF BONDS OF
CHINA HEALTHWISE HOLDINGS LIMITED
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used on this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 35 of this circular.

The notice convening the EGM of the Company to be held at Room SOHO 1, 6/F, Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 9 December 2024 at 11:30 a.m., (or immediately after the conclusion or adjournment of the AGM) is set out on pages 46 to 47 in this circular and a proxy form for use at the EGM is enclosed. Such proxy form is also published on the website of the Company at www.hengtai.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Whether or not you intend to attend the EGM, you are advised to complete the proxy form in accordance with the instructions printed thereon and deposit the same at the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

22 November 2024

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Accompanying document — Proxy form for the EGM

EXPECTED TIMETABLE

The expected timetable for the Subscription is as follows:

Event(s)	Time and date
Latest time for lodging transfers of Shares in order to qualify for attending and voting at the EGM	4:00 p.m. on Tuesday, 3 December 2024
Closure of Register (both dates inclusive).....	Wednesday, 4 December 2024 to Monday, 9 December 2024
Latest time for lodging the proxy forms for use at the EGM	11:30 a.m. on Saturday, 7 December 2024
Record Date for determination of entitlements to the EGM	Monday, 9 December 2024
Date and time of EGM	11:30 a.m. on Monday, 9 December 2024 (or immediately after the conclusion or adjournment of the AGM)
Announcement of the poll results of the EGM to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk	After 4:00 p.m. on Monday, 9 December 2024

Notes:

1. All dates and time set out in this circular refer to Hong Kong dates and time.
2. Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk as and when appropriate and in accordance with the Listing Rules.
3. The EGM will be held on Monday, 9 December 2024 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day.
4. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect at 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will published an announcement at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions shall have the meanings as set out below:

“Announcement”	the announcement of the Company dated 19 August 2024 in relation to the Subscription Agreement and the transactions contemplated thereunder
“AGM”	the annual general meeting of the Company to be held at Room SOHO 1, 6/F, Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 9 December 2024 at 10:30 a.m.
“Board”	the board of Directors
“Bonds”	collectively, the Convertible Bonds and the Straight Bonds
“Branch Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Business Day”	any day (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“CB Bondholder”	holder of the Convertible Bonds
“CB Issue Date”	the date of issue of the Convertible Bonds
“CB Maturity Date”	the date falling on the day being two years from the CB Issue Date
“China Healthwise”	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00348)
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00197)
“Completion Date”	on or before 13 December 2024 (or such later date as China Healthwise and the Subscriber may agree)
“Conditions Precedent”	the conditions precedent under the Subscription Agreement that have to be satisfied (or waived by the Subscriber as the case may be) before Completion

DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Bonds”	the convertible bonds due 2026 in the principal amount of HK\$16,800,000 to be issued by China Healthwise
“Conversion Period”	the period commencing from the date of the issue of the Convertible Bonds Instrument constituting the Convertible Bonds up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the CB Maturity Date
“Conversion Price”	the conversion price per Conversion Share, being HK\$0.088 (subject to adjustment)
“Conversion Rights”	rights of the CB Bondholder to convert the principal amount outstanding under the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period, subject to the conditions of the Convertible Bonds
“Conversion Shares”	new share(s) of China Healthwise to be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds
“Convertible Bonds Instrument”	the instrument to be executed by China Healthwise by deed constituting the Convertible Bonds
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room SOHO 1, 6/F, Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 9 December 2024 at 11:30 a.m., (or immediately after the conclusion or adjournment of the AGM), for the purpose of approving the Subscription Agreement and the transactions contemplated thereunder
“EGM Notice”	the notice dated 22 November 2024 convening the EGM set out on pages 46 to 47 of this circular
“First Supplemental Agreement”	the first Supplemental Agreement to the Subscription Agreement dated 8 October 2024 entered into between the Subscriber and China Healthwise in relation to the subscription of the Bonds
“Good Cheer”	Good Cheer Global Limited, a wholly-owned subsidiary of China Healthwise and is principally engaged in money lending business

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	19 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the long stop date for the fulfillment (or waiver as the case may be) of the Conditions Precedent, being on or before 13 December 2024 (or such later date as China Healthwise and the Subscriber may agree)
“Material Adverse Change”	(a) any change in circumstances that has, or constitutes or would result in a Material Adverse Effect; or (b) any change in any relevant laws in any of the jurisdictions or sectors in which China Healthwise and/or its subsidiaries do/does business that could reasonably be expected to materially and adversely affect China Healthwise and/or its subsidiaries taken as a whole
“Material Adverse Effect”	a material adverse effect on (a) the business, operations, prospect, property or condition (financial or otherwise) of China Healthwise and/or its subsidiaries taken as a whole; (b) the share price of China Healthwise; (c) the ability of China Healthwise to perform its obligations under the Subscription Agreement and the Bonds; or (d) the validity or enforceability of the Subscription Agreement and the Bonds or the rights or remedies of any holder of the Bonds
“Outstanding Bonds”	the convertible bonds issued by China Healthwise to the Subscriber on 11 October 2018 which have become due and payable on 10 October 2024
“Outstanding Principal Amount”	the outstanding principal amount of the Outstanding Bonds of HK\$72,300,000
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Record Date”	Monday, 9 December 2024

DEFINITIONS

“SB Bondholder”	holder of the Straight Bonds
“SB Issue Date”	the date of the issue of the Straight Bonds
“SB Maturity Date”	the date falling on the day being two years from the SB Issue Date
“Second Supplemental Agreement”	the second Supplemental Agreement to the Subscription Agreement dated 15 November 2024 entered into between the Subscriber and China Healthwise in relation to the subscription of the Bonds
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Shareholders”	holder of the Shares
“Share(s)”	ordinary shares in the Company of HK\$0.01 each
“Share Pledge”	the pledge of 100% of the total issued shares of Good Cheer as security for the payment obligations of China Healthwise under the Bonds
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares to be granted to the directors of China Healthwise subject to the approval of the shareholders of China Healthwise at the extraordinary general meeting of China Healthwise to be convened
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Straight Bonds”	the straight bonds due 2026 in the principal amount of HK\$55,500,000 to be issued by China Healthwise
“Straight Bonds Instrument”	the instrument to be executed by China Healthwise by deed constituting the Straight Bonds
“Subscriber”	Heng Tai Finance Limited, a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 19 August 2024 entered into between the Subscriber and China Healthwise in relation to the subscription of the Bonds (as supplemented by the Supplemental Agreements)

DEFINITIONS

“Supplemental Agreements”	collectively, the First Supplemental Agreement and the Second Supplemental Agreement
“Warranties”	the representations, warranties and undertakings by China Healthwise under the Subscription Agreement, including but not limited to (i) the information provided to the Subscriber by China Healthwise and its agent being true and not misleading; (ii) the due incorporation, valid existence and good standing of China Healthwise under the laws of the Cayman Islands; (iii) the accounts of China Healthwise provided to the Subscriber being prepared in accordance with the requirements of all relevant statutes and Hong Kong Financial Reporting Standards applicable in Hong Kong and on a consistent basis; (iv) no event having occurred and being subsisting which, were the Convertible Bonds Instrument and the Straight Bonds Instrument outstanding, is or would constitute an event of default or any event or circumstance specified as an event of default or which would be an event of default; and (v) the shares of China Healthwise being listed on the Stock Exchange and the trading of such shares on the Stock Exchange not being suspended for more than five (5) consecutive trading days
“%”	per cent.



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

Executive Directors:

Mr. Lam Kwok Hing (*Chairman*)
Ms. Lee Choi Lin, Joecy
Ms. Gao Qin Jian
Mr. Chan Cheuk Yu, Stephen
Mr. Mok Tsan San

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Ms. Mak Yun Chu
Mr. Poon Yiu Cheung, Newman
Mr. Hung Hing Man

*Head Office and Principal Place of
Business in Hong Kong:*

31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

22 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION
SUBSCRIPTION OF BONDS OF
CHINA HEALTHWISE HOLDINGS LIMITED
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

References are made to (i) the Announcement in relation to the Subscription Agreement and the transactions contemplated thereunder; (ii) the announcement of the Company dated 8 October 2024 in relation to the entering into of the First Supplemental Agreement; and (iii) the announcement of the Company dated 15 November 2024 in relation to the entering into of the Second Supplemental Agreement.

LETTER FROM THE BOARD

On 8 October 2024 (after trading hours of the Stock Exchange), the Subscriber and China Healthwise entered into the First Supplemental Agreement to make certain amendments in the Completion Date, the Long Stop Date and condition precedent of the Subscription Agreement. On 15 November 2024 (after trading hours of the Stock Exchange), the Subscriber and China Healthwise entered into the Second Supplemental Agreement to (i) include a new condition precedent to the Subscription Agreement; and (ii) further extend the Completion date and Long Stop Date to on or before 13 December 2024 (or such later date as China Healthwise and the Subscriber may agree).

The purpose of this circular is to provide you with, among other things, further details of (i) the Subscription Agreement (as supplemented by the Supplemental Agreements) and the transactions contemplated thereunder and (ii) a notice convening the EGM.

BACKGROUND

References are made to (i) the announcements of the Company dated 8 October, 11 October and 22 November 2018 in relation to the subscription of the Outstanding Bonds by the Subscriber; and (ii) the announcements of the Company dated 28 August and 12 October 2020 and the circular dated 18 September 2020 in relation to, among other things, the extension of the original maturity date of the Outstanding Bonds; and (iii) the announcements of the Company dated 17 August and 10 October 2022 and the circular dated 20 September 2022 in relation to, among other things, the amendments to the terms and conditions of the Outstanding Bonds.

The Subscriber is the holder of the Outstanding Bonds in the Outstanding Principal Amount of HK\$72,300,000, which together with the interest accrued therein, have become due and payable on 10 October 2024. China Healthwise has conditionally agreed to issue the Bonds and the Subscriber has conditionally agreed to subscribe for the Bonds to set off in full the Outstanding Principal Amount upon and subject to the terms and conditions set out in the Subscription Agreement.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement (as supplemented by the Supplemental Agreements) are summarised below:

Date

19 August 2024 (after trading hours of the Stock Exchange)

Parties

- (1) China Healthwise, as the issuer of the Bonds
- (2) Heng Tai Finance Limited, as the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, China Healthwise and its ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Consideration

Subject to the fulfilment of the Conditions Precedent set out below, China Healthwise shall issue and the Subscriber shall subscribe for the Bonds in the aggregate principal amount of HK\$72,300,000 (of which HK\$16,800,000 is the principal amount of the Convertible Bonds and HK\$55,500,000 is the principal amount of the Straight Bonds) at its face value.

The consideration for the subscription of the Bonds shall be satisfied by the Subscriber by way of setting off in full the Outstanding Principal Amount under the Outstanding Bonds upon and subject to the terms and conditions set out in the Subscription Agreement.

Conditions Precedent

Completion of the Subscription Agreement (as supplemented by the Supplemental Agreements) is conditional upon the fulfilment (or waiver for Conditions Precedent (c) and (d) by the Subscriber as the case may be) of the following Conditions Precedent:

- (a) the passing by the Shareholders at the EGM of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder;
- (b) the passing by the shareholders of China Healthwise at the extraordinary general meeting of China Healthwise of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of a maximum of 190,909,090 shares of China Healthwise upon full conversion of the Convertible Bonds to the directors of China Healthwise);
- (c) the Warranties remaining true, accurate and not misleading in all respects;

LETTER FROM THE BOARD

- (d) the Subscriber being satisfied that there is no Material Adverse Change on China Healthwise;
- (e) the Stock Exchange having granted to China Healthwise the listing of, and permission to deal in, the new Shares to be allotted and issued by China Healthwise upon full conversion of the Convertible Bonds;
- (f) China Healthwise having delivered to the Subscriber a cashier's order or a cheque issued by a bank licensed in Hong Kong payable to the Subscriber in the amount equivalent to all the outstanding accrued interests of the Outstanding Bonds up to the date of issue of the Bonds; and
- (g) the entering into of the Share Pledge by Ultra Classic Investments Limited, the sole shareholder of Good Cheer and a wholly-owned subsidiary of China Healthwise, in favour of the Subscriber as security for the payment obligations of China Healthwise under the Bonds.

China Healthwise shall apply to the Stock Exchange as soon as practicable for the grant of the listing and permission to deal in the new shares to be allotted and issued by China Healthwise upon full conversion of the Convertible Bonds. Each of the parties thereto shall use its best endeavours to arrange for the convening of the extraordinary general meeting as soon as practicable so as to seek its shareholders' approval of the Subscription Agreement and the transactions contemplated thereunder referred to in Conditions Precedent (a) and (b).

The Company will conduct an assessment to determine whether Condition Precedent (d) concerning the absence of a Material Adverse Change is fulfilled, including but not limited to (i) reviewing whether there is any change in circumstances after the date of the Subscription Agreement which would result in a Material Adverse Effect; and (ii) reviewing whether there is any change in any relevant laws in any of the jurisdictions or sectors in which China Healthwise conducts business that could reasonably be expected to materially and adversely affect the Company and/or its subsidiaries taken as a whole.

Conditions Precedent (c) and (d) will only be waived under very limited and unpredictable events, which cannot be fully disclosed in advance. The waiver for conditions (c) and (d) is designed to be exceptional and tightly controlled, occurring only under rare and unforeseen circumstances. The discretion to grant the waiver fully rests with the Subscriber. This means that the Subscriber has the absolute discretion to determine whether to waive these conditions based on their assessment of the particular situation. In practice, when evaluating whether to waive conditions (c) and (d), the Subscriber will focus on whether the waiver will expose the Company or its shareholders to undue risks. This discretion allows the Subscriber to carefully consider the implications of the waiver on their interests and in any event, the Subscriber will only waive any of the conditions (c) and (d) when it will not cause any detriment to the interest of the Company and its shareholders and when the waiver is fair and reasonable and in the interest of the Company and its shareholders. As at the Latest Practicable Date, the Subscriber has no intention to waive any of the Conditions Precedent (c) and (d). All other Conditions Precedent are not waivable.

LETTER FROM THE BOARD

The subscription of the Bonds will be conditional upon the payment by China Healthwise of all the outstanding interests accrued under the Outstanding Bonds up to the date of issue of the Bonds. Therefore, the Company will be able to recoup all the outstanding interests accrued under the Outstanding Bonds first before the Company subscribing the Bonds to set off the remaining outstanding principal amount of the Outstanding Bonds.

In the event all the conditions not being fulfilled (or waived by the Subscriber as the case may be) by 13 December 2024 (or such other time and date as may be agreed by the parties to the Subscription Agreement), the Subscription Agreement shall cease and determine and all rights, obligations and liabilities of the parties thereunder shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the terms hereof.

As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled (or waived by the Subscriber as the case may be).

Share Pledge

Completion of the Subscription Agreement (as supplemented by the Supplemental Agreements) is conditional upon, among other things, the entering into of the Share Pledge by Ultra Classic Investments Limited, the sole shareholder of Good Cheer and a wholly-owned subsidiary of China Healthwise, in favour of the Subscriber as security for the payment obligations of China Healthwise under the Bonds.

Immediately upon execution of the Share Pledge, China Healthwise is required to deliver to the Subscriber all the relevant necessary documents (including but not limited to the signed but undated waiver letters by China Healthwise and its subsidiaries) so as to effect the Waiver (as defined in the section headed “Information on Good Cheer”) upon the enforcement of the Share Pledge by the Subscriber.

Completion

Completion of the Subscription of the Bonds shall take place on the Completion Date (or such later date as China Healthwise and the Subscriber may agree) after the fulfilment (or waiver by the Subscriber as the case may be) of all the Conditions Precedent and upon Completion:

- (a) China Healthwise shall issue the Bonds to the Subscriber in accordance with the Subscription Agreement; and
- (b) the consideration for the subscription of the Bonds in the aggregate principal amount of HK\$72,300,000 payable by the Subscriber to China Healthwise shall be set off against the equivalent amount of the Outstanding Principal Amount under the Outstanding Bonds payable by China Healthwise to the Subscriber on a dollar-for-dollar basis.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Subscriber and China Healthwise and are summarised as follows:

Principal amount:	HK\$16,800,000
Issue price:	100% of the principal amount of the Convertible Bonds
Form and denomination:	The Convertible Bonds are in registered form in the authorised denomination of HK\$800,000 each (or the multiples thereof), save that if the outstanding amount of the Convertible Bonds to be issued is less than HK\$800,000, the Convertible Bonds may be issued in such amount
Interest rate:	The Convertible Bonds shall bear interest from and including the date of its issue at the rate of six per cent. (6%) per annum on the outstanding principal amount thereof. Interest shall be accrued daily on a 365 days basis and is payable semi-annually in arrears
Maturity date:	The date falling on the day being two years from the CB Issue Date
Redemption on maturity:	Any amount of the Convertible Bonds outstanding as at the CB Maturity Date shall be redeemed automatically on the CB Maturity Date at its then outstanding principal amount together with accrued interests
Redemption on notice by China Healthwise:	China Healthwise may at any time after the CB Issue Date and before the CB Maturity date by serving at least seven (7) days' prior written notice to the CB Bondholder with the total amount proposed to be redeemed from the CB Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at par together with accrued interests provided always that no conversion notice has been served by the CB Bondholder on or prior to the date the redemption notice is served by China Healthwise to the CB Bondholder

LETTER FROM THE BOARD

Redemption upon
event of default

If an event of default has occurred, the CB Bondholder may require China Healthwise to redeem all or a portion of its Convertible Bonds, and China Healthwise shall, in addition to and without prejudice to any of its other payment obligations under the Convertible Bonds Instrument, pay to the CB Bondholder an additional amount of interest as default interest which shall be payable monthly in cash, such that a total interest rate of 10% per annum shall accrue on the aggregate unpaid principal, interest and/or other amounts owed by China Healthwise to such CB Bondholder from the relevant due date of such unpaid amount until the date on which has been fully paid by China Healthwise to such CB Bondholder

Event of default:

Each of the following events is an event of default under the Convertible Bonds Instrument:

- (i) Non-payment: China Healthwise fails to pay any amount of principal in respect of the Bond and any other bond issued by China Healthwise on the due date for payment thereof or fails to pay any amount of interest, any fees or any other amount in respect of or in connection with the Convertible Bonds and any other bond issued by China Healthwise on the due date for payment thereof;
- (ii) Breach of covenants: any requirement of clauses relevant to interest, covenants relating to the conversion and covenants (unless waived by the Subscriber as the case may be) is not satisfied;
- (iii) Breach of terms or obligations: China Healthwise defaults in the performance or observance of any term or warranties of the Subscription Agreement and the Convertible Bonds Instrument, or of its other obligations under or in respect of the Convertible Bonds and any other bond issued by China Healthwise;
- (iv) Misrepresentation: any representation or statement made or deemed to be made by China Healthwise in the Subscription Agreement or the Convertible Bonds Instrument under or in connection with the Subscription Agreement or the Convertible Bonds Instrument proves to have been incorrect or misleading when made or deemed to be made;

LETTER FROM THE BOARD

- (v) Cross-default:
 - (a) the occurrence of an event of default in relation to any other bond, options or securities issued by China Healthwise;
 - (b) any or the aggregated financial indebtedness of any member of the China Healthwise and its subsidiaries exceeding HK\$500,000 which is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (c) China Healthwise fails to pay when due any amount payable by it under any guarantee, option, indemnity, arrangement or agreement of any or the financial indebtedness (or its equivalent in any other currency or currencies) exceeding HK\$500,000;
- (vi) Unsatisfied judgment: one or more judgment(s) or order(s) for the payment of an amount is rendered against China Healthwise or any other member of China Healthwise and its subsidiaries and continue(s) unsatisfied and unstayed which the aggregated amount exceeds HK\$500,000;
- (vii) Litigation: any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against China Healthwise, any other member of China Healthwise and its subsidiaries or any of their respective assets (or against the directors of China Healthwise, or any other member of China Healthwise and its subsidiaries arising from their carrying out of duties as directors of China Healthwise, or any other member of China Healthwise and its subsidiaries) which are reasonably likely to adversely determined and, if so determined, could reasonably be expected to have a Material Adverse Effect;
- (viii) Insolvency, bankruptcy or winding-up etc: an event has occurred which is, or which may with the taking of any step or the passage of time become, would render China Healthwise or any other member of China Healthwise and its subsidiaries that resolutions would be passed or proceedings would be initiated for the dissolution, winding up, liquidation, striking-off, bankruptcy, reorganisation or other arrangement under applicable insolvency and bankruptcy laws; or that an order is made or an effective resolution is passed for any of the above matter;

LETTER FROM THE BOARD

- (ix) Failure to take action, etc.: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable China Healthwise to lawfully enter into, exercise its rights and perform and comply with its obligations under and in respect of the Convertible Bonds; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Convertible Bonds admissible in evidence in the courts of the Cayman Islands or Hong Kong is not taken, fulfilled or done;
- (x) Unlawfulness: it is or will become unlawful for China Healthwise to perform or comply with any of its obligations under or in respect of the Subscription Agreement or the Convertible Bonds Instrument;
- (xi) Breach of Law: there is a material breach of any applicable Law (including the Listing Rules) by China Healthwise or any of its directors or senior officers when acting for and on its behalf;
- (xii) Government intervention: (a) all or any substantial part of the undertaking, assets and revenues of China Healthwise or any other member of China Healthwise and its subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) China Healthwise or any other member of China Healthwise and its subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues;
- (xiii) Delisting: any Shares in China Healthwise shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Company to effect such cessation (including but not limited to, the shareholders of China Healthwise having passed a resolution to delist the Shares from the Main Board of the Stock Exchange); or
- (xiv) Material Adverse Event: in the sole opinion of the Subscriber, a Material Adverse Event has occurred.

LETTER FROM THE BOARD

Status of the Convertible Bonds: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of China Healthwise and shall at all times rank pari passu and without any preference among themselves. The payment obligations of China Healthwise under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations

Conversion Period: The period commencing from the date of the issue of the Convertible Bonds Instrument constituting the Convertible Bonds up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the CB Maturity Date

If the Subscription Agreement materialises, and when the Subscriber intends to exercise the rights to convert the Convertible Bonds into the shares of China Healthwise during the term of the Convertible Bonds, the Company and the Subscriber will consider the applicable percentage ratios as stipulated in the Listing Rules and will comply with the relevant implications of the Listing Rules as necessary. Further announcement(s) will be made by the Company as and when appropriate.

Conversion Price: The conversion price at which the Bonds is to be converted into a Conversion Share, which shall be HK\$0.088 per Conversion Share, subject to the adjustments provisions as follows:

- (i) an alteration of the nominal amount of the shares of China Healthwise by reason of any consolidation or subdivision:

$$\frac{A}{B}$$

Where:

A = the revised nominal amount of one share of China Healthwise immediately after such alteration; and

B = the nominal amount of one share of China Healthwise immediately before such alteration;

LETTER FROM THE BOARD

- (ii) an issue (other than in lieu of a cash dividend) by China Healthwise of its shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund):

$$\frac{C}{D}$$

Where:

C = the aggregate nominal amount of the issued shares of China Healthwise immediately before such issue; and

D = the aggregate nominal amount of the issued shares of China Healthwise immediately after such issue;

- (iii) a Capital Distribution (as defined in the Instrument) being made by China Healthwise, whether on a reduction of capital or otherwise, to holders of its shares in their capacity as such:

$$\frac{E - F}{E}$$

Where:

E = the market price on the day on which the Capital Distribution is publicly announced; and

F = the fair market value on the day of such announcement determined by an approved merchant bank or the auditors of China Healthwise of the portion of the Capital Distribution attributable to one share of China Healthwise;

“Capital Distribution” shall include, summarily, distributions in cash or specie, a reduction of capital, certain types of dividends (excluding issue of shares paid out of profits or reserves and issued in lieu of a cash dividend), or the grant of rights to acquire for cash assets of China Healthwise or any of its subsidiaries;

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For the purpose of this and the remaining adjustment events, “market price” means the average of the closing prices of one share of China Healthwise for each of the last five dealing days on which dealings in the shares of China Healthwise on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

- (iv) an offer or grant being made by China Healthwise to holders of its shares by way of rights or of options or warrants to subscribe for new shares at a price which is less than 90 per cent. of the market price:

$$\frac{G + H}{G + I}$$

Where:

G = the number of shares of China Healthwise in issue immediately before the date of the announcement of such offer or grant;

H = the number of shares of China Healthwise which the aggregate of the amount (if any) payable for the rights or options or warrants and of the amount payable for the total number of new shares of China Healthwise comprised therein would purchase at the market price; and

I = the aggregate number of shares of China Healthwise offered or comprised in the grant;

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- (v) an issue wholly for cash being made by China Healthwise of securities convertible into or exchangeable for or carrying rights of subscription for new shares, if in any case the total Effective Consideration per Share initially receivable for such securities is less than 90 per cent of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total Effective Consideration per share initially receivable for such securities is less than 90 per cent. of the market price;

$$\frac{J + K}{J + L}$$

Where:

J = the number of shares of China Healthwise in issue immediately before the date of the issue (or modification);

K = the number of shares of China Healthwise which the total Effective Consideration receivable for the securities issued at the initial (or modified) conversion or exchange rate or the subscription price would purchase at such market price; and

L = the number of shares of China Healthwise to be issued upon conversion or exchange of such securities or subscription of new shares conferred by such securities at the initial (or modified) conversion or exchange rate or the subscription price;

“total Effective Consideration” for this adjustment event means the consideration receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue (or modification) of such securities;

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- (vi) an issue being made by China Healthwise wholly for cash of shares at a price per share less than 90 per cent. of the market price:

$$\frac{M + N}{M + O}$$

Where:

M= the number of shares of China Healthwise in issue immediately before the date of such announcement;

N = the number of shares of China Healthwise which the aggregate amount payable for the issue would purchase at such market price; and

O = the number of shares of China Healthwise allotted pursuant to such issue;

- (vii) an issue being made by China Healthwise of its shares for the acquisition of asset at a total Effective Consideration per share less than 90 per cent. of the market price:

$$\frac{P/Q}{R}$$

Where:

P = the total Effective Consideration;

Q = the number of shares of China Healthwise to be issued in connection with the acquisition; and

R = the market price per share of China Healthwise;

“total Effective Consideration” for this adjustment event means the aggregate consideration credited as being paid for such shares of China Healthwise by China Healthwise on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

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Any adjustment to the Conversion Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment which would otherwise then be required shall not be carried forward.

China Healthwise shall take all necessary action prior to carrying out any action that may render the Conversion Price being adjusted so that on conversion the Conversion Shares shall fall to be issued at a discount to their par value, failing which China Healthwise shall compensate the CB Bondholder all losses as a result thereto including but not limited to such amount that the CB Bondholder would be entitled under the adjustment but was being prevented and all costs and expenses.

If any adjustment to be made will render the total number of the Conversion Shares exceeding the Specific Mandate, the CB Bondholder shall be entitled to convert up to the maximum number of the Conversion Shares and the remaining portion of the principal amount shall be redeemed on the CB Maturity Date on a dollar-to-dollar basis together with accrued interests.

Conversion Shares:

Based on the Conversion Price of HK\$0.088 per Conversion Shares, a maximum of 190,909,090 new shares may be allotted and issued by China Healthwise (fractions of shares will not be issued on conversion) under the Convertible Bonds upon exercise of the Conversion Rights, subject to the terms of the Convertible Bonds Instrument, or otherwise pursuant to the terms of the Convertible Bonds Instrument. As at the Latest Practicable Date, China Healthwise has 770,480,836 ordinary shares of HK\$0.01 each in issue. Upon full conversion to the Conversion Shares at the Conversion Price, the Conversion Shares represent:

- (a) approximately 24.78% of the existing issued share capital of China Healthwise; and
- (b) approximately 19.86% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights in full (assuming there is no other change in the share capital of China Healthwise).

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Ranking of Conversion Shares:	The Conversion Shares will in all respects rank pari passu with the shares of China Healthwise in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.
Listing:	No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
Transferability:	The CB Bondholder may only assign or transfer the Convertible Bonds to the transferee subject to the consent of China Healthwise. The Convertible Bond may be assigned or transferred in whole or in part (in whole multiples of HK\$800,000) of its outstanding principal amount.

PRINCIPAL TERMS OF THE STRAIGHT BONDS

The principal terms of the Straight Bonds were arrived at after arm's length negotiations between the Subscriber and China Healthwise and are summarised as follows:

Principal amount:	HK\$55,500,000
Issue price	100% of the principal amount of the Straight Bonds
Interest rate:	The Straight Bonds shall bear interest from the SB Issue Date at the rate of eight per cent. (8%) per annum on the principal amount thereof outstanding from time to time. Interest shall be accrued daily on a 365 days basis and is payable semi-annually in arrears
Maturity date:	The date falling on the day being two years from the SB Issue Date
Redemption on maturity:	China Healthwise shall redeem the Straight Bond(s) which remains outstanding on the SB Maturity Date at the redemption amount at 100% of the principal amount of the Straight Bonds outstanding, together with accrued interest up to the actual date of redemption

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- Redemption on notice by China Healthwise: China Healthwise may at any time after the SB Issue Date and before the SB Maturity Date by serving at least seven (7) days' prior written notice to the SB Bondholder with the total amount proposed to be redeemed from the SB Bondholder specified therein, redeem the Straight Bonds (in whole or in part) at 100% face value of the Straight Bonds together with interests accrued thereon from the SB Issue Date and up to the date of redemption, less any interest paid by China Healthwise on such Straight Bond(s) previously.
- Redemption upon event of default: On the occurrence of an event of default, the SB Bondholder may by notice in writing to China Healthwise demand immediate redemption of the Straight Bond(s) of which it is the holder at an amount equal to the outstanding principal amount of such Straight Bond(s) plus an interest accrued thereon from the SB Issue Date and up to the date of redemption, less any interest paid by China Healthwise on such Bonds previously. China Healthwise shall pay a default interest on such sum to the SB Bondholder from the relevant due date to the date of actual payment in full (both before and after judgment) calculated at the rate of 12% per annum.
- Event of default: Each of the following events is an event of default under the Straight Bonds Instrument:
- (i) a default is made in the payment of the principal in respect of any of the Straight Bonds when and as the same ought to be paid in accordance with these conditions; or a default in the payment of interest on any of the Straight Bonds when the same becomes due and payable; or
 - (ii) there is a default in the performance or observance by China Healthwise of any of its obligations (including, without limitation, its undertakings and covenants but excluding its covenants to pay the principal and interest in respect of any of the Straight Bonds) under the Straight Bonds, and which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the Subscriber remedied within fourteen (14) calendar days after notice of such default shall have been sent by the Subscriber to China Healthwise; or

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- (iii) any amounts of principal repayment or interest payment in relation to borrowings of China Healthwise or any of its subsidiaries are not paid when due, or as the case may be, within any applicable grace period and the relevant creditor notifies China Healthwise or the relevant subsidiary that such non-payment constitutes an event of default under the terms of relevant facility; or
- (iv) China Healthwise ceases or threatens to cease to carry on its business or operation or a substantial part of its business or operation; or
- (v) China Healthwise becomes insolvent or is unable to pay its debts as when they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of China Healthwise or the whole or any material part of the undertaking, property, assets or revenues of China Healthwise or enters into a general arrangement or compromise with or for the benefit of its creditors; or
- (vi) if it shall become unlawful for China Healthwise to perform all or any of its obligations under the conditions, or the conditions shall for any reason cease to be in full force or effect or shall be declared to be void or illegal or be repudiated or the legality, validity, priority, admissibility in evidence or enforceability thereof shall be contested by China Healthwise or China Healthwise shall deny that it has any, or any further, liability or obligation under or in respect of the same; or
- (vii) if any of the following events shall occur to China Healthwise:
 - (a) the filing of a petition in any bankruptcy, reorganisation, winding-up or liquidation proceeding or other proceedings analogous in purpose or effect and any such petition is not discharged within thirty (30) calendar days; or
 - (b) the appointment of a receiver or trustee for the bankruptcy, reorganisation, winding-up or liquidation of any assets or properties of China Healthwise and such appointment is not discharged within thirty (30) calendar days; or
 - (c) the entry of any court order or judgement confirming the bankruptcy or insolvency of China Healthwise; or

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- (d) any order is made or an effective resolution passed for the winding-up, liquidation, dissolution of China Healthwise or the taking of any corporate action to authorise or give effect to any of the foregoing; or
- (viii) any governmental authority or agency confiscates, condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets of China Healthwise; or
- (ix) if a distress, execution or seizure before judgment is levied or enforced upon or sued against any part of the properties of China Healthwise and is not discharged within thirty (30) calendar days thereof; or
- (x) China Healthwise sells or transfers or otherwise disposes all or a material part of its property, assets, revenues or undertaking otherwise than in the ordinary course of its business, which would have a material adverse effect on the financial condition of China Healthwise, or the ability of China Healthwise to perform its obligations under the Straight Bonds without the consent of the Subscriber, or
- (xi) at any time any indebtedness, including any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money, of China Healthwise becomes due and payable prior to its stated maturity by reason of default, or event of default (howsoever described) by China Healthwise, in each case, which would have a material adverse effect on the ability of China Healthwise to perform its obligations under the Straight Bonds.

Status of the Straight Bonds:

The obligations of China Healthwise arising under the Straight Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of China Healthwise and shall at all times rank equally among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of China Healthwise except for obligations accorded preference by mandatory provisions of applicable law

Listing:

No application will be made for a listing of the Straight Bonds on the Stock Exchange or any other stock exchange

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Transferability: The Straight Bonds may only be transferred or assigned in whole or in part (if in part, in minimum amount of HK\$500,000 or in whole multiple thereof) to any person subject to the consent of China Healthwise at any time from the SB Issue Date and prior to the SB Maturity Date

INFORMATION ON CHINA HEALTHWISE

As at the Latest Practicable Date, China Healthwise is an investment holding company and principally engaged in investment in financial instruments and together with its subsidiaries, are principally engaged in sale of Chinese health products, money lending business and investment in financial instruments.

As stated in the interim report of China Healthwise for the six months ended 30 June 2024, as at 30 June 2024, China Healthwise had unaudited net liabilities of HK\$24.3 million, net current liabilities of HK\$31.2 million and cash and cash equivalents of HK\$7 million. As stated in the annual report of China Healthwise for the year ended 31 December 2023, the net loss of China Healthwise for the year ended 31 December 2023 were approximately HK\$134,558,000.

INFORMATION ON GOOD CHEER

As at the Latest Practicable Date, Good Cheer is a wholly-owned subsidiary of China Healthwise and is principally engaged in money lending business.

Based on the latest management accounts as at 30 September 2024 of Good Cheer provided by China Healthwise, (i) the total assets of Good Cheer were approximately HK\$12.2 million and the total liabilities of Good Cheer were approximately HK\$310.4 million, of which approximately HK\$309.3 million were borrowings from China Healthwise and its subsidiaries and will be waived by China Healthwise and its subsidiaries (the “**Waiver**”) in the event that China Healthwise is in default of payment under the Bonds and the Subscriber enforces the Share Pledge. Considering the above Waiver, the net assets value of Good Cheer would be approximately HK\$11.1 million; and (ii) Good Cheer had loan receivables of approximately HK\$298 million and such amount of loan receivables would be substantially more than sufficient to cover the principal amount of the Bonds. However, Good Cheer also had recorded a provision for expected credit loss (“**ECL**”) of approximately HK\$296.3 million. The ECL of approximately HK\$296.3 million was made by Good Cheer based on conservatism accounting principle but does not necessarily represent the actual recoverability of the loan receivables. In fact, Good Cheer is fully committed to liaises with its customers from time to time to collect the loan receivables and a reverse of ECL of HK\$3.5 million was recorded by Good Cheer during the nine months ended 30 September 2024. Depending of the actual recoverability of the loan receivables, further reversal of ECL may be recorded by Good Cheer, and may lead to an increase in the net assets value of Good Cheer accordingly.

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Immediately upon execution of the Share Pledge, China Healthwise is required to deliver to the Subscriber all the relevant necessary documents (including but not limited to the signed but undated waiver letters by China Healthwise and its subsidiaries) so as to effect the Waiver upon the enforcement of the Share Pledge by the Subscriber.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in (i) the trading of packaged foods, beverages and household consumable products; (ii) the trading of agri-products and the upstream farming business; and (iii) other businesses primarily arising from the securities brokerage and margin financing business.

The Subscriber is the holder of the Outstanding Bonds in the Outstanding Principal Amount of HK\$72,300,000, which together with the interest accrued therein, have become due and payable on 10 October 2024. As the Outstanding Bonds have become due, China Healthwise has conditionally agreed to issue the Bonds and the Subscriber has conditionally agreed to subscribe for the Bonds to set off in full the Outstanding Principal Amount upon and subject to the terms and conditions set out in the Subscription Agreement.

The principal amount of the Convertible Bonds was determined with reference to (i) the recent market price of China Healthwise; (ii) the adjusted conversion price of HK\$0.088; (iii) a maximum of 190,909,090 new shares to be allotted and issued by China Healthwise under the Convertible Bonds upon exercise of the Conversion Rights in full (representing approximately 19.86% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the Conversion Shares) so as to maintain a similar level of the Subscriber's shareholding in China Healthwise upon exercise of the conversion rights attached to the Outstanding Bonds in full (approximately 19.80% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the conversion shares upon the exercise of the conversion rights attached to the Outstanding Bonds); and (iv) the Outstanding Principal Amount. The principal amount of the Straight Bonds was determined after considering (i) the Outstanding Principal Amount; and (ii) the principal amount of the Convertible Bonds. The consideration for the Subscription will be set off by the Outstanding Principal Amount under the Outstanding Bonds and hence the Subscription will not have any adverse effect on the cash flow of the Group. In addition, the collection of all the outstanding accrued interests of the Outstanding Bonds (in the amount of approximately HK\$4.8 million up to the Latest Practicable Date for illustration purpose only) up to the date of issue of the Bonds will generate immediate cash inflow to the Group.

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As part of the analysis for the Subscription, the Company identified 12 scenarios of issue of new convertible bonds or extension of existing convertible bonds (the “**Comparables**”) issued by listed companies in Hong Kong or its wholly-owned subsidiary which (i) were announced from 18 May 2024 up to 18 August 2024, being a three months period prior to the date of the Subscription Agreement; and (ii) remained subsisting as at 18 August 2024. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

Date	Company name	Stock code	Principal amount	Interest rate per annum (%)	Term to maturity (year)	Security or guarantee
15 August 2024	Hing Yip Holdings Limited	132	HK\$166,232,000	2.0	3	N/A (Not disclosed)
14 August 2024	China Baoli Technologies Holdings Limited	164	RMB128,370,000	4.0	5	Unsecured
12 August 2024	StarGlory Holdings Company Limited	8213	HK\$40,000,000	2.0	3	N/A (Not disclosed)
9 August 2024	Millennium Pacific Group Holdings Limited	8147	HK\$6,800,000	5.0	2	Unsecured
31 July 2024	Cornerstone Technologies Holdings Limited	8391	HK\$34,450,000	4.0	0.5	Unsecured
31 July 2024	Carrianna Group Holdings Company Limited	126	HK\$67,425,252	7.0	1	Unsecured
16 July 2024	Ping An Insurance (Group) Company of China, Ltd.	2318	US\$3,500,000,000	0.875	5	Unsecured
12 July 2024	China Baoli Technologies Holdings Limited	164	HK\$24,000,000	5.0	3	Unsecured
21 June 2024	China Ruifeng Renewable Energy Holdings Limited	527	RMB933,689,137, HK\$161,701,291 and HK\$98,000,000 respectively	5.5	3	Unsecured
17 June 2024	Zijin Mining Group Co., Ltd. ^(Note) 紫金礦業集團股份有限公司	2899	US\$2,000,000,000	1.0	5	Issued by a wholly-owned subsidiary, listed company as guarantor
7 June 2024	Future Data Group Limited	8229	HK\$2,000,000	8.0	1	N/A (Not disclosed)
22 May 2024	Tibet Water Resources Ltd.	1115	HK\$90,000,000	10.0	0.333	Unsecured
			Mean	4.5	2.7	
			Median	4.5	3.0	
			Maximum	10.0	5.0	
			Minimum	0.875	0.333	

Note: The company’s English name is for identification purpose only.

As shown in the table above, (i) the interest rates of the Comparables ranged from 0.875% to 10% per annum with a mean and median of 4.5% per annum. The interest rates of the Bonds fall within the aforesaid market range and above the said mean and median; and (ii) the majority of the Comparables were unsecured.

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The interest rate of the Convertible Bonds of 6% per annum was primarily determined after taking into account the interest rate of the Outstanding Bonds of 6% per annum. Having considered that the interest rate of the Convertible Bonds represents (i) a premium of roughly 2.8% to the interest rate of the Convertible Bonds over the interest rates of fixed deposits; and (ii) a premium of 1.5% over the interest rate of the mean and median of the interest rates of the Comparables, the Company is of the view that the interest rate of the Convertible Bonds is fair and reasonable. The interest rate of the Straight Bonds of 8% per annum was determined after considering (i) the interest rate of the Convertible Bonds of 6% per annum; and (ii) a premium of 2% over the interest of the Convertible Bonds which is essentially a commercial decision agreed on an arm's length basis by the Subscriber and China Healthwise and is considered fair and reasonable to compensate for the absence of the Conversion Rights attached to the Straight Bonds. By subscribing the Bonds, the Subscriber will receive a higher interest return of 8% per annum under the Straight Bonds and the same interest return of 6% per annum under the Convertible Bonds, when comparing with the Outstanding Bonds. By subscribing the Bonds with a term of two years, the Subscriber will be entitled to receive interest income from China Healthwise in the total amount of HK\$10,896,000 under the Bonds.

The maturity of the Bonds mirror the terms of the Outstanding Bonds and the interest of the Bonds are payable semi-annually and these are commercial terms agreed on an arm's length basis by the Subscriber and China Healthwise.

By subscribing the Bonds, the Bonds will be secured by the Share Pledge (which is a Condition Precedent under the Subscription Agreement) and it will definitely put the Subscriber in a better position than the Subscriber being the holder of the Outstanding Bonds which were unsecured. The Bonds and the Share Pledge will set out clearly the events of default (including payment default and commencement of any winding up proceedings against China Healthwise and its subsidiaries) and the Subscriber will be fully entitled to enforce the Share Pledge upon occurrence of any events of default. In addition, the Share Pledge effectively gives the Subscriber first priority to claim against the assets of Good Cheer over other unsecured creditors of China Healthwise and its subsidiaries. Despite the fact that the net assets value of Good Cheer is approximately HK\$11.1 million (taking into account the Waiver) and will not be sufficient to cover the entire principal amount of the Bonds, the Share Pledge will definitely provide the Subscriber with better protection comparing with the Outstanding Bonds which were unsecured.

The Directors are committed to utilizing the available bank and cash balances of the Group to generate better interest income for the Group and its Shareholders as a whole. In view of the current uncertain and sluggish global economy, the Directors strive to balance risk and return by exploring investments that offer potentially higher returns while maintaining a reasonable risk profile.

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In assessing the Subscription of the Bonds, the Group has reviewed past debt financing records of China Healthwise. China Healthwise has fulfilled its obligations and made the full and timely payment of interest on the Outstanding Bonds since its issuance in 2018. After making reasonable enquiries with China Healthwise, China Healthwise has confirmed to the Company that since 8 October 2018, being the date of the subscription agreement entered into between the Subscriber and China Healthwise in relation to the Outstanding Bonds, (i) they have had no history of credit defaults or adverse credit events; and (ii) they have had consistently met their financial obligations in a timely manner and maintain a positive credit history. In particular, there have been no events of default with respect to the Outstanding Bonds.

Based on the latest financial position of China Healthwise as disclosed in the interim results announcement for the six months ended 30 June 2024 published by China Healthwise on 26 August 2024, China Health may not be able to redeem in full the Outstanding Principal Amount of the Outstanding Bonds, which have become due and payable on 10 October 2024. It would not be in the interests to the Company and its shareholders as a whole for the Subscriber to exercise the conversion right under the Outstanding Bonds given that the conversion price under the Outstanding Bonds is HK\$0.38, which represents a significant premium over the recent closing price of shares of China Healthwise (with an average closing price of HK\$0.059 for the six-month period prior to the date of the Subscription Agreement). However, it would be costly and time consuming if the Company decides to initiate legal proceedings against China Healthwise to claim for the outstanding amount under the Outstanding Bonds after the Outstanding Bonds become due. Subscribing the Bonds to set off in full the Outstanding Principal Amount of the Outstanding Bonds would allow the Subscriber to enjoy new commercial terms under the Bonds which are more favourable to the Subscriber. The Subscriber will enjoy a much lower conversion price of HK\$0.088 under the Convertible Bonds and despite the principal amount of the Convertible Bonds being adjusted downward to HK\$16,800,000, given the much lower conversion price, the Subscriber, if exercising the conversion right in full, will be able to subscribe for 190,909,090 new shares (compared with 190,263,157 new shares of China Healthwise upon conversion of the Outstanding Principal Amount in full under the Outstanding Bonds) of China Healthwise (approximately 19.86% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the conversion shares and the Subscriber will become the largest substantial shareholder of China Healthwise). The Subscriber will enjoy a higher interest rate of 8% under the Straight Bonds in the principal amount of HK\$55,500,000. The Bonds offer a comparatively more favourable rate of return of 6–8% per annum and would generate interest income for the Group for a further term of two years.

The Directors also considered that the risk of default of China Healthwise is low given that (i) China Healthwise has fulfilled its obligations and made the full and timely payment of interest on the Outstanding Bonds since its issuance in 2018 and completion of the Subscription is conditional upon, among others, the payment by China Healthwise of the outstanding interests under the Outstanding Bonds accrued up to the date of issue of the Bonds; (ii) there have been no events of default with respect to the Outstanding Bonds; (iii) as disclosed in the interim results announcement of China Healthwise for the six months ended 30 June 2024, China Healthwise is taking active measures to collect loan receivables of approximately HK\$306,908,000 to improve its operating cash flows and financial position; (iv)

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China Healthwise is a reputable and recognised listed company, in particular, China Healthwise, through its wholly-owned subsidiary, is engaged in the business of trading and retail of “Sum Yung” (參茸) and dried seafood products (“**Chinese Health Products Business**”) since 1977 under the brand name of “Nam Pei Hong” (南北行), which is well-known in Hong Kong and Southern Mainland China. Given its listing status, China Healthwise is capable of carrying out different fund-raising exercises (e.g. placing of new shares under general mandate, rights issue, etc.) or obtain bank facilities from time to time so as to observe its payment obligations under the Bonds as and when necessary; and (v) according to the annual report of China Healthwise for the year ended 31 December 2023, China Healthwise is principally engaged in (a) sale of Chinese health products (the “**Sale of Health Products Business**”); (b) money lending business (the “**Money Lending Business**”); and (c) investment in financial instruments. Given that Good Cheer is the sole operating subsidiary of the Money Lending Business, the Share Pledge effectively charges one of the core businesses of China Healthwise to the Subscriber, the Company believes that the risk of default of China Healthwise under the Bonds is low. China Healthwise has not resorted to any equity fund-raising activities in the 12 months leading up to the date of the Subscription Agreement but as discussed above, it has the capability to pursue various fund-raising strategies or obtain bank facilities to meet its payment obligations under the Bonds as and when necessary. The Subscription would allow China Healthwise to have sufficient time to plan ahead for the fund-raising exercises or to negotiate with banks to obtain bank facilities, if necessary.

By the Subscription with China Healthwise who is also the issuer of the Outstanding Bonds, the Company can reduce additional costs, risks and workload on conducting market research, due diligence and negotiation with other third parties for similar investments in convertible securities. The Directors did not consider alternative investments having considered the consideration of the Subscription will be set off against the Outstanding Principal Amount of HK\$72,300,000 under the Outstanding Bonds and there are no new funds available for other investments.

While considering the risks associated with the Bonds, the Board has also considered the current interest rates of fixed deposits in Hong Kong dollars between up to 3.2% per annum for one-year fixed deposits and up to 3.6% per annum for three-month fixed deposits offered by well-recognised financial institutions in Hong Kong. Meanwhile, the Company has a history of investing in various listed debt and equity securities in Hong Kong since 2016, which earned a gross rate of return of around 4-6% per annum. As the Board has expected a decreasing trend of bank interest rate in the coming years, the Bonds offer a comparatively more favourable rate of return of 6-8% per annum with a fixed term of two years, without the added risk of foreign exchange fluctuations that are inherent in investments denominated and settled in foreign currencies. The Subscription, moreover, would not create any strain on the working capital and solvency position of the Group as a whole given that the consideration for the subscription of the Bonds will be set off against the Outstanding Principal Amount of HK\$72,300,000 under the Outstanding Bonds.

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Having considered that the Outstanding Bonds have become due and that the conversion price of the Outstanding Bonds (i.e. HK\$0.38) represents a significant premium to the recent closing price of share(s) of China Healthwise (with an average closing price of HK\$0.059 for the six-month period prior to the date of the Subscription Agreement), the Subscription presents an opportunity for the Group to renew the Outstanding Bonds with a much lower Conversion Price.

In addition, the Directors are of the opinion that the Conversion Price of HK\$0.088 per Conversion Share is favourable to the Company and its Shareholders as a whole considering the Conversion Price is HK\$0.088 which represents (a) a premium of approximately 57.1% to the closing price of HK\$0.056 per share of China Healthwise as quoted on the Stock Exchange on the date of the Announcement; and (b) a premium of approximately 54.9% to the average closing price of approximately HK\$0.0568 per share of China Healthwise as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Announcement, which is much lower than the premiums represented by the existing conversion price of the Outstanding Bonds of HK\$0.38. Assuming that the Subscriber intends to convert the Convertible Bonds in full, immediately after full conversion of the Convertible Bonds at the Conversion Price of HK\$0.088, the Subscriber will hold 190,909,090 shares of China Healthwise and become the largest substantial shareholder of China Healthwise, holding approximately 19.86% of China Healthwise's issued share capital as enlarged by the issue and allotment of the Conversion Shares. The Company expects that becoming the largest substantial shareholder of China Healthwise will strengthen their relationships and will facilitate the any potential business cooperation in future. Nevertheless, the Company will closely monitor the trading prices of the shares of China Healthwise and evaluate the then financial performance and prospects of China Healthwise in determining whether to convert the Convertible Bonds into Conversion Shares.

Before deciding on the Subscription, discussions with China Healthwise revealed that they may not be able to redeem in full the Outstanding Principal Amount of the Outstanding Bonds, which have become due and payable on 10 October 2024. Therefore, it is proposed to set off in full the Outstanding Principal Amount of the Outstanding Bonds by subscribing the Bonds, which offer more favourable terms to the Subscriber than the Outstanding Bonds. Having considered that (i) China Healthwise had unaudited cash and cash equivalents of HK\$7 million as at 30 June 2024 as stated in the interim results announcement of China Healthwise for the six months ended 30 June 2024; (ii) China Healthwise will settle the outstanding interests under the Outstanding Bonds accrued up to the date of issue of the Bonds; (iii) the anticipated lower cash level of China Healthwise following the settlement of the interest of the Outstanding Bonds; and (iv) the conversion price under the Outstanding Bonds of HK\$0.38, China Healthwise and the Directors have arrived at the conclusion that partial redemption or partial settlement of the Outstanding Bonds is not purposeful. As China Healthwise is not able to redeem in full the Outstanding Principal Amount of the Outstanding Bonds at the moment, it leaves the Subscriber with no option but either to agree with the subscription of the Bonds (which provides higher interest returns than the Outstanding Bonds and is further secured by the Share Pledge) or initiate legal proceedings to wind up China Healthwise. The Company considers that it would be costly and time consuming to initiate legal proceedings to wind up China Healthwise and such costs would be substantial and would have immediate adverse effect of the cashflow position of the Group. The subscription of the Bonds will not only

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provides the Group with immediate cash inflow with better protection, but will also allow China Healthwise to have sufficient time to improve its financial position and cash flow by (a) further negotiating with and/or taking appropriate actions against its customers regarding recovery of its loan receivables; (b) planning ahead for the fund-raising exercises (e.g. placing of new shares under general mandate or rights issue, etc.); or (c) negotiate with banks to obtain bank facilities to settle its payment obligations under the Bonds, as and when necessary.

Furthermore, the Company considers that it would not be reasonable or commercially justifiable for the Company to initiate legal proceedings to wind up China Healthwise. In assessing whether it is reasonable or commercially justifiable for the Company to initiate legal proceedings to wind up China Healthwise, the Company has reviewed the interim report of China Healthwise for the six months ended 30 June 2024. Based on the total liabilities position of China Healthwise in the amount of approximately HK\$134 million as at 30 June 2024, the Outstanding Principal Amount of HK\$72,300,000 together with the accrued interests of the Outstanding Bonds in the amount of approximately HK\$4.8 million up to the Latest Practicable Date represent approximately 57% of the total liabilities position of China Healthwise as at 30 June 2024. Therefore, the Company assumes that in the event of winding up of China Healthwise, the Subscriber (as an unsecured creditor) would rank after those secured creditors and other preference creditors of China Healthwise and would only be distributed 57% of the distributable assets of China Healthwise. Based on the total assets position of China Healthwise of approximately HK\$109 million as at 30 June 2024, it can only be ascertained that the cash and cash equivalents in the amount of approximately HK\$7 million would be distributable. For other assets such as property, plant and equipment and inventories amounting to approximately HK\$6 million and HK\$43 million respectively, it cannot be ascertained whether and when these assets can be sold and at what price to be sold in the market. For other assets such as loan receivables and trade and other receivables amounting to approximately HK\$7 million and HK\$10 million respectively, it cannot be ascertained whether and when these assets are recoverable and to what extent be recovered by China Healthwise. For the current financial assets held by China Healthwise amounting to approximately HK\$36 million, the Company understands that these assets are applied as security for the margin loans in the amount of HK\$18.9 million as at 30 June 2024 from securities brokers and the securities brokers would have first priority to claim for these assets. Furthermore, the Company understands that the entire issued share capital of Nam Pei Hong Sum Yung Drugs Company Limited, a wholly-owned subsidiary of China Healthwise, is charged to secure a loan in the outstanding amount of approximately HK\$10 million as at 30 June 2024 and hence the assets available for distribution in the event of liquidation of China Healthwise will be further undermined. Based on the above analysis (for illustration purpose only), notwithstanding total assets of China Healthwise amounting to approximately HK\$109 million, it can only be ascertained at this stage that the Subscriber will only be able to recover approximately HK\$4 million (being 57% of HK\$7 million of cash and cash equivalents of China Healthwise) as the total recoverable amount is subject to possibility and time frame of recovery of China Healthwise's other assets, which is uncertain. As set out above, if the Subscriber agrees to the Subscription, it will at least collect all the outstanding accrued interests of the Outstanding Bonds (in the amount of approximately HK\$4.8 million up to the Latest Practicable Date for illustration purpose only) up to the date of issue of the Bonds and the Subscriber will be better off financially and will generate immediate cash inflow to the Group. Furthermore, the Share Pledge effectively gives the Subscriber first priority to claim against the assets of Good Cheer

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over other unsecured creditors of China Healthwise and its subsidiaries. If the Subscriber decides not to proceed with the Subscription and without the Share Pledge, in the event of liquidation of China Healthwise, the Subscriber will be an unsecured creditor and will not have any preference over all other unsecured creditors.

The Company did consider the possibility of requesting China Healthwise to repay part of outstanding principal amount of the Outstanding Bonds instead of subscription of the Bonds to set off the entire outstanding principal amount of the Outstanding Bonds. However, taking into account the current financial position of China Healthwise, in particular the cash and cash equivalents position of China Healthwise in the amount of approximately HK\$7 million as disclosed in the interim report of Chian Healthwise for the six months ended 30 June 2024, the Company considered that to request China Healthwise to repay part of outstanding principal amount of the Outstanding Bonds would not be a feasible option.

The Directors are of the view that Subscription is a prudent approach given the current uncertain and sluggish global economy as mentioned above which allows the Group to maintain its liquid capital to carry on its current business. Based on a comprehensive assessment of the Subscription, the low risk of default and past debt financing records of China Healthwise, due compliance with the interest payment obligations throughout the previous terms of the Outstanding Bonds for around six years since the subscription of the Outstanding Bonds in 2018, and the attractive return offered by the Bonds, the Board believes the Subscription could safeguard the interest of the Group and the Shareholders as a whole and provides a good rate of return with reasonable and manageable risks, aligning with the Group's commitment to maximizing returns while prioritizing risk aversion in the current economic climate.

In summary, concerning whether or not to extend the Outstanding Bonds, the Company currently faces two options: (i) demanding immediate repayment from China Healthwise by not extending the Outstanding Bonds and initiating recovery procedure including but not limited to winding up of China Healthwise; or (ii) by entering into the Subscription Agreement, the Subscriber would immediately receive the outstanding accrued interest (in the amount of approximately HK\$4.8 million up to the Latest Practicable Date for illustration purpose only) and obtain the Share Pledge to further secure China Healthwise's obligations under the Bonds. Given China Healthwise's current financial situation as analysed above, it can only be ascertained that the Subscriber will only be able to recover approximately HK\$4 million (being 57% of HK\$7 million of cash and cash equivalents of China Healthwise) and considering that substantial costs will be incurred for the winding up of China Healthwise, the Group may end up receive only a minimal amount under the liquidation of the China Healthwise.

The Subscription is essentially and ultimately subject to the approval of the Shareholders and the Shareholders have the rights to vote for or against the Subscription at the EGM. In the event that the Subscription is voted down by the Shareholders at the EGM, the Company will demand immediate repayment from China Healthwise by not extending the Outstanding Bonds and will initiate recovery procedures as appropriate.

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Considering the above, the Directors believe the entering into of the Subscription Agreement is a more favorable choice for the Company and are of the view that the terms of the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

The consideration for the subscription of the Bonds will be set off against the Outstanding Principal Amount of HK\$72,300,000 under the Outstanding Bonds, which together with the interest accrued therein, have become due and payable on 10 October 2024. Since the subscription of the Bonds pursuant to the Subscription Agreement constitutes financial assistance to China Healthwise, certain applicable percentage ratios of which are more than 25%, the transactions contemplated under the Subscription Agreement constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

II. EGM

The EGM will be held at Room SOHO 1, 6/F, Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 9 December 2024 at 11:30 a.m., (or immediately after the conclusion or adjournment of the AGM) to consider and, if thought fit, passing the resolution to approve the Subscription Agreement and the transactions contemplated thereunder.

The EGM Notice convening the EGM is set out on pages 46 to 47 in this circular and a proxy form for use at the EGM is enclosed. Such proxy form is also published on the website of the Company at www.hengtai.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Any Shareholder and his close associates with a material interest in the Subscription Agreement and the transactions thereunder will need to abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM under the Listing Rules.

To qualify for attending and voting at the EGM, a Shareholder must be registered as a member of the Company on the Record Date. The register of members of the Company will be closed from Wednesday, 4 December 2024 to Monday, 9 December 2024 (both dates inclusive) for the purpose of determining the right to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 3 December 2024.

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Whether or not you intend to attend the EGM, you are advised to complete the proxy form in accordance with the instructions printed thereon and deposit the same at the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

The EGM will be held on Monday, 9 December 2024 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect at 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk to notify shareholders of the date, time and place of the rescheduled meeting.

III. RECOMMENDATION

The Directors are of the opinion that the terms and conditions of the Subscription Agreement and the transactions contemplated are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder.

IV. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to this circular.

This circular is in English and Chinese. In the case of any inconsistency, the English version shall prevail.

Yours faithfully,
For and on behalf of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

1. THREE-YEAR FINANCIAL SUMMARY

Financial information of the Group for each of the three years ended 30 June 2022, 2023, 2024 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (details of website address as set out below):

For the year ended	Hyperlink	Principal relevant pages
30 June 2024	https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1030/2024103000671.pdf	36–109
30 June 2023	https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1030/2023103000900.pdf	35–111
30 June 2022	https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1028/2022102800927.pdf	38–117

2. INDEBTEDNESS

At the close of business on 30 September 2024, being the latest practicable date for the purpose of ascertaining certain information relating to this statement of indebtedness prior to the printing of this circular, the Group had an aggregate outstanding lease liabilities of approximately HK\$5.7 million. The Group's lease liabilities amounting to approximately HK\$2.8 million were secured by rental deposits paid by the Group and approximately HK\$2.9 million were unsecured at 30 September 2024. Save for the aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 September 2024, the Group did not have any debt securities issued and outstanding, or any other borrowings or indebtedness including bank loans and overdrafts, liabilities under acceptances (other than normal trade payables) or acceptance credits, hire purchases commitments or mortgages. As at 30 September 2024, the Group's bank facilities were secured by corporate guarantees provided by the Company and certain subsidiaries of the Company, charge over investments of a subsidiary with carrying amount of approximately HK\$5.7 million and a pledged bank deposit of a subsidiary with carrying amount of approximately HK\$2.0 million.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group and the existing banking facilities available, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

4. EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Earnings

As disclosed in the Company's annual report for the year ended 30 June 2024, the Group recorded the audited consolidated loss of approximately HK\$196.4 million. Upon the completion of the Subscription Agreement becoming effective, it is expected that the Subscription will continue to generate interest income for the Group which will impact the earnings of the Group.

The Bonds bear interest at the rate of 6% or 8% per annum (as the case may be) for the 24-month period from (and including) the date of issue of the Bonds to (and including) the date falling on the day being two years from the date of issue of the Bonds on the outstanding principal amount of the Bonds; it is estimated that the interest income accrued for the said 24-month period of the Bonds will be approximately HK\$10.9 million assuming no early redemption is made by China Healthwise and the Subscriber does not exercise any of the Conversion Rights.

Assets and liabilities

As disclosed in the Company's annual report for the year ended 30 June 2024, the audited total assets of the Group was approximately HK\$869.6 million and the audited total liabilities of the Group was approximately HK\$82.7 million as at 30 June 2024. Upon full conversion to the Conversion Shares at the Conversion Price, the Conversion Shares represent approximately 19.86% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights in full (assuming there is no other change in the share capital of China Healthwise), and the equity interest of the Group in China Healthwise will be accounted for as financial assets at fair value through profit or loss.

The Board does not expect that the entering into of the Subscription Agreement would have any adverse financial impact on the earnings, assets and liabilities of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2024, being the date to which the latest published audited accounts of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) the trading of packaged foods, beverages and household consumable products (the “**FMCG Trading Business**”); (ii) the trading of agriproducts (the “**Agri-Products Trading Business**”) and the upstream farming business (the “**Upstream Farming Business**”) (collectively the “**Agri-Products Business**”); and (iii) other businesses primarily arising from the securities brokerage and margin financing business (the “**Other Business**”).

During the financial year ended 30 June 2024 (“**FY2023/24**”), the global economy continued to face a number of challenges, including slow global economic growth coupled with high interest rate environments, political uncertainty stemmed from the presidential election in the United States and the escalating tensions between China and the United States, as well as the negative spillovers from the wars in Ukraine and the Middle East. In China, the economic growth continued to be dragged down by the real estate crisis and the weak market demand after the novel coronavirus disease 2019 (COVID-19) (the “**pandemic**”). While merely mediocre growth was recorded in the first three quarters of FY2023/24, the Chinese GDP growth was even worse and dropped to 4.7% in the last quarter of FY2023/24, which was the weakest yearly advance since the first quarter of 2023, reflecting the lack of growth momentum after a short-lived post-pandemic rebound. Simultaneously, although the retail sales recorded impressive growth during the first half of FY2023/24, it grew much slower at the rate between two and three percent in the second half, implying consumers remained quite reluctant to spend in the midst of sluggish economy. On the other hand, the competition from domestic products remained fierce, especially considering their overwhelming advertisements and promotions, weak Renminbi further undermined the imported products’ competitiveness. The Group’s traditional trading business for imported products also encountered various difficulties and challenges in the context of the abovementioned unfavourable factors. In order to mitigate the negative impact from the decrease in the contribution from the imported products trading business, the Group continued to proactively develop its trading business for domestic fresh produce and FMCG products. The contribution from the trading business for domestic fresh produce increased by approximately 17.1% during FY2023/24, largely offsetting the decrease in the revenue from the imported products trading business.

The FMCG Trading Business sells packaged foods, beverages and household consumable products into the domestic Chinese market. These products are largely sourced overseas through the Group’s wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. During FY2023/24, China’s economic growth was weak and unbalanced after the pandemic, some sectors like the foreign trade and import industries faced various severe challenges. The Group’s FMCG Trading Business also faced various difficulties, especially the fierce competition from domestic brands, which continuously used low prices to grab a larger market share on top of their tremendous advertising activities amidst a sluggish economy. Against this backdrop, the Group continuously refined its product mix and sourced new products, not only from overseas suppliers, but also seeking cooperations with domestic manufacturers, to increase its competitiveness and profitability. In addition, although weak Renminbi put the imported

products at a disadvantage, the Group managed to maintain stable gross profit margin by lowering purchase costs through bulk purchase and adopting stable pricing strategies during FY2023/24.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 83%, 12% and 5%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by beverage products. During FY2023/24, the contribution percentage of packaged foods further increased compared to that of the last financial year ended 30 June 2023 (“FY2022/23”), primarily due to the drop of the contribution from beverages. The Group closely followed the market trends and reallocated more resources from beverage products to packaged foods, in particular those licensed branded products with distribution rights. In view of the increasingly competitive environment of the beverage market in China, the Group trimmed down certain operation for beverage trading, hence the revenues contributed by beverages declined during FY2023/24.

Reference is made to the business update announcements of the Company dated 19 August 2024 regarding the potential cooperation with a comprehensive healthcare service and wellness products company (the “**Prospective Partner**”) for trading of healthcare, daily necessities and hygiene products. The Directors consider that to expand the product lines of the FMCG Trading Business will be able to broaden the income stream of the Group and partnering with the Prospective Partner can facilitate innovation and product development tailored to the preferences and needs of the consumers in the PRC. The Group’s established sales channels and trading proficiency in the PRC could provide significant value to the Prospective Partner, offering access to well-developed distribution networks and consumers’ market knowledge in the PRC. The Company and the Prospective Partner is in the process of discussing possible way of cooperation or investments. As at the Latest Practicable Date, none of the terms or form of the cooperation has been finalised.

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. Similar to the FMCG Trading Business, this business segment was also affected by the weak market demand and the keen competition from domestic products, especially the trading business for the imported agricultural products when considering the gap in product quality and product variety between domestic fresh produce and imported fresh produce has been shrinking over past few years. The purchase costs and supply chain instability arising from its short life cycle and perishable nature further increased the difficulties in running trading business for the imported agricultural products. Notwithstanding the above, the Group strived to return the imported agricultural products trading business to normal in the post-pandemic era by leveraging on the well-established distribution network and entrenched relationship with suppliers and customers. The Group’s efforts have gradually paid off, the revenue of the imported agricultural products trading remained fairly stable and the gross profit margin had slight improvement compared to FY2022/23.

The Group has been continuously developing its trading business for domestic fresh produce as a supplementary business to counteract the challenging operating environment for the imported agricultural products trading business. For FY2023/24, the revenue of the trading business for domestic agricultural products increased by 17.1% compared to FY2022/23, and the percentage of its revenue over the total revenue of the Agri-Products Trading Business continuously grew stably over past few years. The Group continued to expand its procurement network for the domestic agricultural products, and managed to negotiate for lower purchase costs by virtue of larger scale of operation. Furthermore, the operation commencement of the food processing centre in Dongguan has substantially facilitated its development in domestic fresh product trading and lowered sourcing and transportation costs thanks to its convenient location, which greatly enhanced the production capacity and gross profit margin. Going forward, the Group will continue to enhance the efficiency of the centre to underpin the development of the trading business for domestic agricultural products.

The Group continued to carefully operate in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. For FY2023/24, the revenue of the upstream farming business increased by approximately 9.0% compared to FY2022/23. The increase was primarily attributable to the improved production yield. Although the market demand was still weak after the pandemic, the production yield has been steadily improving during FY2023/24. Additionally, the product quality and variety have also improved thanks to the better production yield, the Group's efforts on research and development to improve cultivation skills as well as the use of higher quality fertilizers. Therefore, the Group managed to increase the selling prices and sale volume with better product quality and develop new product types in spite of the sluggish economy. In order to enhance the Upstream Farming Business, the Group was actively seeking to procure new types of fertilizers through an overseas supplier and hired an expert to evaluate and conduct a thorough review to assure the Group's agricultural products could be benefitted from the new fertilizers. Furthermore, the Group intends to leverage the benefits of the abovementioned new fertilizers by promoting them in the domestic market, with hopes of generating a stable revenue stream in future.

To facilitate the development of the Upstream Farming Business, the Group has been establishing an agricultural science industrial park (the "**Agricultural Industrial Park**") which comprised various facilities such as the research and development centre, a fruit processing centre and some agri-tourism recreational facilities like restaurant, souvenir shops and accommodation. The fruit processing centre commenced its operations to provide a wide range of functions including fruit washing, packing and storage, which effectively enhanced product quality assurance and brand building. The fruit processing centre primarily served the Upstream Farming Business with a trivial volume of third party business, which is expected to be gradually increasing in future. In the meantime, the Group commenced its negotiations with various travel agencies to explore the cooperation for the agri-tourism business following the reopening of China's economy.

Notwithstanding the above, the Group was conservative on its new development that required large capital commitment such as new arable land development and agri-tourism business in view of the sluggish macroeconomic environment and unpredictable inclement weather condition. The Group lowered its expectation for the future business performance of its arable farming lands and agri-tourism business and higher discount rates were also used in

its valuation based on the income approach to compute the value-in-use, resulting in a decline in future free cash flows and thus impairment losses to its carrying amount compared with its value-in-use during FY2023/24.

The Other Business contains providing securities trading, margin financing and IPO subscription brokerage services through Sino Wealth Securities Limited. The revenue of the securities brokerage and margin financing business, primarily brokerage commission, decreased by approximately 7.7% compared to FY2022/23. The decrease in the revenue of the securities brokerage and margin financing business was primarily attributable to the weak Hong Kong capital market, as well as the Group's strategy to gradually trim down its operations in this business unit. The downsizing process will continue in near future until completely pulling out of this business unit.

In view of the uncertain global outlook, the Group will focus on its core businesses and adopt a more conservative stance on future business developments. The Group will continue to implement cost-saving initiatives to reduce operating costs and closely review each business unit for its development plan. The Group will exert every effort to ensure a strong and healthy financial position to weather any unforeseeable headwinds.

Save as disclosed above, there is no material change in the trend of business of the Group since 30 June 2024 up to the Latest Practicable Date. Save for any unforeseen events, the Group is cautiously optimistic on the prospect and the financial performance over coming years.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Shares

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares held		Approximate percentage of interest as at the Latest Practicable Date %
		Long position	Short position	
Mr. Lam Kwok Hing (Mr. Lam)	Interest in a controlled corporation	30,606,157 (note 1)	—	17.14
Ms. Lee Choi Lin, Joecy (Ms. Lee)	Interest of spouse	30,606,157 (note 2)	—	17.14
Mr. Chan Cheuk Yu, Stephen (Mr. Chan)	Interest in controlled corporation	15,053,003 (note 3)	—	8.43

Notes:

- Mr. Lam is the sole legal and beneficial owner of the entire issued capital of Best Global Asia Limited ("Best Global"). Out of the 30,606,157 Shares held, Mr. Lam is deemed to be interested in the 20,630,918 Shares held by Best Global and 9,975,239 Shares are held by Mr. Lam himself.
- Ms. Lee is the spouse of Mr. Lam, by virtue of the SFO, Ms. Lee is deemed to be interested in said 30,606,157 shares.
- The entire issued share capital of Glazy Target Limited ("Glazy Target") is wholly and beneficially owned by Mr. Chan and Mr. Chan is deemed to be interested in the 15,053,003 Shares held by Glazy Target.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporation (within the meaning of Part XV of the SFO).

(b) Substantial shareholders' interests in the Shares

As at the Latest Practicable Date, the persons (other than the Directors or the Chief Executive) who has an interest in the Share and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Substantial Shareholder	Capacity/ Nature of interest	Number of Shares held		Approximate percentage of interest as at the Latest Practicable Date %
		Long position	Short position	
Mr. Chow Yin Man	Beneficial owner	25,753,774	—	14.42
Best Global	Beneficial owner	20,630,918 (note 1)	—	11.55
Glazy Target	Beneficial owner	15,053,003 (note 2)	—	8.43

Notes:

1. These shares are in duplicate the interests held by Mr. Lam and Ms. Lee as stated in section "Directors' Interests in Securities".
2. These shares are in duplicate the interests held by Mr. Chan as stated in section "Directors' Interests in Securities".

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or the Chief Executive) who had interests in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any member of the Group which is not expiring or determinable by the Director within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OF THE GROUP

None of the Directors had any interest, either direct or indirect, in any assets which had been since 30 June 2024 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by members of the Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Group:

- (1) the Subscription Agreement.

8. GENERAL

- (a) The Company Secretary of the Company is Mr. Wong Siu Hong, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The Company's principal place of business in Hong Kong is at 31/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hengtai.com.hk>) for not less than 14 days from the date of this circular (both days inclusive):

- (a) the Subscription Agreement;
- (b) the First Supplemental Agreement;
- (c) the Second Supplemental Agreement; and
- (d) this circular.

NOTICE OF EGM



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Heng Tai Consumables Group Limited (the “**Company**”) will be held at Room SOHO 1, 6/F, Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 9 December 2024 at 11:30 a.m., (or immediately after the conclusion or adjournment of the AGM) for considering and, if thought fit, passing (with or without amendment) the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 19 August 2024 entered into between Heng Tai Finance Limited (a wholly-owned subsidiary of the Company) as subscriber (the “**Subscriber**”) and China Healthwise Holdings Limited (“**China Healthwise**”) in relation to subscription of (i) the straight bonds (the “**Straight Bonds**”) due 2026 in the principal amount of HK\$55,500,000 to be issued by China Healthwise and (ii) the convertible bonds (the “**Convertible Bonds**”) due 2026 in the principal amount of HK\$16,800,000 to be issued by China Healthwise and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby authorized to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Subscription Agreement and the transactions contemplated thereunder.”

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 22 November 2024

NOTICE OF EGM

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or their authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
- (5) A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
- (6) Completion and return of a proxy form will not preclude a member from attending and voting in person at the above meeting or any adjourned meeting thereof, should he so wish.
- (7) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the Chairman of the meeting will demand that all resolution will be voted by way of poll at the meeting.
- (8) To qualify for attending and voting at the EGM, a Shareholder must be registered as a member of the Company on Monday, 9 December 2024. The register of members of the Company will be closed from Wednesday, 4 December 2024 to Monday, 9 December 2024 (both dates inclusive) for the purpose of determining the right to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 3 December 2024.
- (9) The EGM will be held on Monday, 9 December 2024 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day.
- (10) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect at 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk to notify shareholders of the date, time and place of the rescheduled meeting.